



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office

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Carlos Jackson
Executive Director

December 19, 2006

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Commissioners:

**AGREEMENT TO NEGOTIATE EXCLUSIVELY WITH EAST LOS ANGELES
COMMUNITY CORPORATION FOR THE PURCHASE, REHABILITATION, AND
OPERATION OF VILLA NUEVA HOUSING DEVELOPMENT (1)
(3 Vote)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Find that entering into a one-year Agreement to Negotiate Exclusively (Agreement) between the Housing Authority and the East Los Angeles Community Corporation (ELACC), a California nonprofit public benefit corporation, for the purchase, rehabilitation and operation of the Villa Nueva housing development, located at 658-676 South Ferris Avenue in unincorporated East Los Angeles, is exempt from the provisions of the California Environmental Quality Act (CEQA), because it does not have the potential for causing a significant effect on the environment.
2. Approve the Agreement with ELACC, presented in substantially final form, for the purposes described above, and authorize the Executive Director to execute the Agreement and any subsequent amendments required to extend the Negotiation Period for an additional year, to be effective following approval as to form by County Counsel and execution of all parties.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize the Housing Authority to negotiate exclusively with ELACC the terms of a Development and Disposition Agreement (DDA), for the purchase, rehabilitation, and operation of Villa Nueva.

FISCAL IMPACT/FINANCING:

There is no fiscal impact.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Housing Authority owns and operates Villa Nueva, a 21-unit multi-family affordable housing development located in unincorporated East Los Angeles.

On February 14, 1985, the Housing Authority entered into a Development Agreement with the California Department of Housing and Community Development (HCD) for the acquisition, construction, and operation of Villa Nueva. The Housing Authority also entered into a 30-year Regulatory Agreement which required that Villa Nueva comply with HCD's Rental Housing Construction Program regulations. These regulations require that the units be rented to very low-income households with incomes at 50% or below the area median income for the Los Angeles – Long Beach Metropolitan Statistical Area, and households pay no more than 25% of their income towards rent.

The above regulatory restrictions make it difficult to support the project's true operating costs, which include overhead costs that are charged by other departments for services. Program regulations require that any surplus revenues be returned to the State. Furthermore, program regulations require that requests for capital improvements be submitted to HCD for review and authorization before withdrawal of funds from the HCD replacement reserve account. Because these reserves have been insufficient to support the necessary capital improvements, the Housing Authority has had to subsidize these costs with its own funds.

Given that the project cannot retain sufficient funds to support its true operating costs and there is a need for additional funds to undertake capital improvements, the Housing Authority wishes to transfer the property to a nonprofit developer that can access funds not available to the Housing Authority, such as multi-family tax exempt bonds, tax credits, HOME, and state funds to rehabilitate and operate Villa Nueva.

On July 20, 2006, the Housing Authority issued a Request For Statements of Qualifications (RFSQ), from qualified developers or joint ventures/partnerships to acquire, rehabilitate, own and manage Villa Nueva. One proposal was received on August 21, 2006, from ELACC. ELACC's proposal met threshold and technical scoring requirements based on the experience of the developer, and the contractor, architect, and property management company team, and therefore, ELACC is being considered as the future owner for Villa Nueva.

The attached Agreement will enable the Housing Authority to negotiate a DDA with ELACC. Discussions will include the purchase price, additional considerations to be paid to the Housing Authority by ELACC, the parameters of management services, and other project-related matters.

The Agreement does not commit the Housing Authority to any particular course of action. However, it is the Housing Authority's intention that there be no tenant displacement or relocation. The project will remain low-income rental property for the term of the HCD loan, and additional "affordable years" may be part of the transfer of ownership.

The Housing Authority may, during the Negotiation Period, hold public meetings to gather input from the community. ELACC will also be part of any public meetings that are held. The DDA will be submitted to your Board for approval upon conclusion of negotiations.

The Agreement will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

This Agreement is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact or result in any physical changes to the environment. The action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15061(c)(3) because it does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT PROJECT

The Agreement will allow the Housing Authority to negotiate terms of a DDA with ELACC, which will ultimately improve the affordable rental housing supply in the County.

Respectfully submitted,


CARLOS JACKSON
Executive Director

Attachment: 1